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C O N F I D E N T I A L JERUSALEM 002200

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NEA FOR FRONT OFFICE; NEA/IPA FOR
GOLDBERGER/SHAMPAINE/BELGRADE; NSC FOR ABRAMS/WATERS;
TREASURY FOR SZUBIN/GANT/HARRIS/NUGENT/HIRSON

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TAGS: ECON EFIN PHUM PREF KFTN KWBG IS

SUBJECT: GAZA: BANK CASH SHORTAGE THREATENS UNRWA AND PA
SALARY PAYMENTS

REF: JERUSALEM 2018

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

¶1. (SBU) Summary: Banks operating in the Gaza Strip face a liquidity crisis and will have difficulty paying UNRWA and/or Palestinian Authority (PA) salaries, according to bank representatives. Bank officials say that Israeli authorities continue to severely restrict the frequency, volume and composition of cash transfers into Gaza, including shipments not involving Israeli banks. Banks' cash reserves dropped steeply during the high-spending Eid al-Fitr holiday. Arab Bank may close its four Gaza branches if funds sufficient to pay UNRWA salaries are not received. The Bank of Palestine's cash reserves -- the greatest of all the banks in Gaza -- fall short of what is needed to pay PA salaries in full next month. End Summary.

Eid al-Fitr Money Crunch

¶2. (C) Banks operating in Gaza did not receive sufficient cash to respond to the annual spike in consumer spending during the Eid al-Fitr holiday and cash reserves plummeted, according to bank representatives in Ramallah. Arab Bank Area Manager Mazen Abu Hamdan told Econoff October 23 that Israeli authorities did not allow Arab Bank to ship cash from the West Bank to its four Gaza branches on October 11 in preparation for Eid al-Fitr. Arab Bank total cash reserves in Gaza dropped to USD 200,000, 600,000 Jordanian Dinar (JD) and NIS 8 million (all told approximately USD 2.6 million). One of the bank's Gaza branches is completely out of USD.

¶3. (C) Bank of Palestine (BoP) General Manager Hashim Shawa told Econoff October 23 that BoP's cash reserves in Gaza dropped from NIS 100 million to NIS 10 million in two weeks. Shawa and Abu Hamdan confirmed separately that each of their banks assisted Cairo Amman Bank branches in Gaza, which were running out of cash during this period. BoP transferred a total of NIS 2.5 million and Arab Bank provided NIS 500,000 to help keep Cairo Amman open. Shawa said bank liquidity problems have become more apparent, causing Gazans to hoard cash, thereby worsening the cash shortage.

Insufficient Funds for Salary Payments

¶4. (C) Shawa said that BoP's cash reserves in Gaza are now rising as merchants deposit their holiday earnings. BoP,

however, is responsible for the largest share of PA salary payments in Gaza, about NIS 130 million a month, according to Shawa. Although Bank Hapoalim facilitated the transfer of NIS 20 million during the week of October 15. Shawa estimates that BoP's Gaza branches will need an additional NIS 60 million (USD 15 million) to cover PA payments at the beginning of November.

¶15. (C) Abu Hamdan said that Arab Bank branches need a total of NIS 40 million (USD 10 million) for the PA employee payments. He asserted that he has received no reply to repeated requests for permission to ship this amount. He added that a more pressing issue is UNRWA salary payments, due to start October 25, for which Arab Bank branches in Gaza lack sufficient funds, particularly since these payments are made in USD or JD. (Note: UNRWA employs 9,699 staff in Gaza with USD 7.2 million in total salary disbursements due October 25. End note.) Abu Hamdan stated that Arab Bank will likely close its Gaza branches if shipments of cash sufficient to cover these payments continue to be blocked.

¶16. (C) Cairo Amman Regional Manager Joseph Nesnas told Econoff October 23 that his bank's Gaza branches will try to pay the UNRWA salaries in NIS. Nesnas said that, for almost a month, Israelis have refused to allow Cairo Amman to ship USD or JD into Gaza, even though Israeli banks are not involved in the transfer. Nesnas said that Cairo Amman branches in Gaza need an additional NIS 20 million (USD 5 million) by next week to cover PA salary payments. PA salaries are expected to be paid in the first week of November.

WALLES